

STATE OF WASHINGTON

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

Phone: (360) 725-7000



OFFICE OF
INSURANCE COMMISSIONER

DECLARATION OF MAILING

I declare under penalty of perjury
under the laws of the State of
Washington that on the date listed
below, I mailed or caused delivery
of a true copy of this document to
parties listed below
DATED this 3 day of Dec, 2004
at Tumwater, Washington.

Signed: W. Galloway

FILED

2004 DEC -3 A 9:53

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

HEARINGS UNIT
Fax: (360) 664-2782

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Administrative Assistant
WendyG@OIC.wa.gov.
(360) 725-7002

In the Matter of the Application for
Order Granting Exemption of
SOUTHEASTERN ASSET
MANAGEMENT, INC., relative to its
purchase of additional shares of
FAIRFAX FINANCIAL HOLDING
LIMITED, the ultimate parent company of
COMMONWEALTH INSURANCE CO.
OF AMERICA, a Washington domestic
insurer.

NO. G04-85

AMENDED

NOTICE OF HEARING

TO: John S. Pruitt, Esq.
LeBoeuf, Lamb, Greene & MacRae
125 West 55th Street
New York, New York 10019-5389

Andy McCarroll, Vice President & General Counsel
Southeastern Asset Management, Inc.
6410 Poplar Avenue, Suite 900
Memphis, Tennessee 38119

Eric P. Salsberg, Vice President of Corporate Affairs
Fairfax Financial Holdings Limited
95 Wellington Street, W., Suite 800
Toronto, Ontario, Canada M5J 2N7

AMENDED NOTICE OF HEARING

Docket No. G04-85

Page 2

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision
Carol Sureau, Deputy Commissioner, Legal Affairs
James E. Tompkins, Assistant Deputy Commissioner, Company Supervision
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

This Amended Notice of Hearing is entered solely to correct the single typographical error indicated on page 4 below. Other than this single correction, the entire original Notice of Hearing entered on December 1, 2004 and filed on that date, remains effective as of date of entry.

Southeastern Asset Management, Inc. (Southeastern) is a Tennessee corporation registered with the Securities and Exchange Commission since 1975. Southeastern acts as investment counsel and fund administrator for the Longleaf Partners Funds and as investment counsel to pension funds and other clients. Securities purchased by Southeastern on behalf of its investment advisory clients are owned by those clients, who have the right to terminate the agreement pursuant to which Southeastern manages funds on their behalf.

Commonwealth Insurance Company of America (Commonwealth) is a Washington domestic property and casualty insurance company. Commonwealth is an indirect wholly owned subsidiary of Northbridge Financial Corporation, which is more than 70% owned directly or indirectly by Fairfax Financial Holding Limited (FFHL), with the remaining portion being owned by public shareholders. FFHL is a Canadian corporation whose shares are listed on the New York Stock Exchange and the Toronto Stock Exchange. V. Prem Watsa, who has been the Chairman, Chief Executive Officer and controlling shareholder of FFHL since 1985, maintains ultimate control over FFHL through his right to vote, either directly or through companies controlled by him, more than 50% of the votes attaching to the various classes of FFHL voting shares. Southeastern currently exercises investment discretion, on behalf of its client accounts, with respect to 2,851,910 FFHL subordinate voting shares, although, according to Southeastern, none of those shares are owned by Southeastern for its own account. Southeastern has no voting power over 208,500 of the 2,815,910 FFHL shares over which it currently exercises investment discretion (although Southeastern advises that it is possible that investment clients of Southeastern who currently deny Southeastern voting power over their FFHL shares managed by Southeastern may in the future grant Southeastern voting power over those shares). Southeastern does, however, hold voting power over the remaining 2,643,410 FFHL subordinate voting shares. Thus, Southeastern currently has voting power over 9.3% of the total votes attached to all classes of shares of FFHL.

AMENDED NOTICE OF HEARING

Docket No. G04-85

Page 3

On October 28, 2004, FFHL entered into agreements to issue \$300 million of subordinate voting shares to a number of institutional investors which include Southeastern (\$150 million). After this issue, the shares of FFHL owned or controlled by Mr. Watsa will represent 51.1% of the total votes attached to all classes of shares of FFHL. Southeastern would, together with its current 9.3% voting shares, in the aggregate own 12.1% of the total voting power attached to all classes of FFHL shares.

Because, under the current agreement described above, the proposed total aggregate amount of shares which Southeastern would ultimately own would exceed 10% and therefore result in a presumption of control set forth in RCW 48.31B.005(2). Therefore, pursuant to RCW 48.31B.015(5), Southeastern has asked for an order from the Insurance Commissioner (Commissioner) granting an exemption for Southeastern which would exempt it from the prior notice and approval requirements of RCW 48.31B.015(1)-(4) in connection with its proposed purchase of these additional FFHL voting shares.

Specifically, as set forth in RCW 48.31B.015(5), the Commissioner may enter an order exempting the transaction from the detailed rules of RCW 48.31B.015(1)-(4) concerning prior notice and approval requirements if Southeastern 1) can rebut the presumption of control set forth in RCW 48.31B.015(2) by showing that control of the domestic insurer does not exist in fact, as also set forth in RCW 48.31B.005(2); and 2) can show the agreement as *[n]ot having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer*, as set forth in RCW 48.31B.015(5)(b).

YOU ARE HERBY NOTIFIED that a hearing will be held commencing at 10:00 a.m. on Monday, December 13, 2004, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider whether the Commissioner should enter an order exempting Southeastern from the prior notice and approval requirements of RCW 48.31B.015(1)-(4) relative to its purchase of additional voting shares of FFHL which would, in the aggregate, total 12.1% of the total voting shares of all classes of FFHL voting shares.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31B, and shall have as its purpose consideration of the above identified criteria and entry of a final decision regarding exemption of this proposed transaction from the requirements of RCW 48.31B.015(1)-(4). While there was some discussion during the first prehearing teleconference in this matter concerning whether Southeastern would in this instant proceeding also be requesting an exemption for 5% additional shares which would not be purchased by Southeastern in the currently proposed transaction but might be purchased by Southeastern at some time in the future, consideration of an exemption which would include this additional 5% is not included in this instant

AMENDED NOTICE OF HEARING

Docket No. G04-85

Page 4

proceeding and will not be given. Consideration will be given only as to the current proposed agreement for Southeastern to purchase shares of FFHL which would result in Southeastern holding a total of 12.1% of the total voting shares of FFHL.

The Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered after hearing.

YOU ARE FURTHER NOTIFIED that all comments on, or objections to, this proposed merger purchase must be submitted by 5:00 p.m. on December 12, 2004. Said comments or objections must be submitted to the undersigned by fax, U.S. Mail, or personal delivery. The fax number of the undersigned is (360) 664-2782, and her address is 5000 Capitol Boulevard, Tumwater, Washington 98501. Further, any member of the public may attend the hearing and may present relevant information concerning the matters at issue herein.

All parties may participate in the hearing. They may examine witnesses and fully respond and present evidence and argument on all issues involved, as required by the Administrative Procedure Act. The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner will be represented by James E. Tompkins, Assistant Deputy Commissioner in his Company Supervision Division. He can be reached at (360) 725-7218 or P.O. Box 40255, Olympia, WA 98504-0255. Southeastern will be represented in part by John S. Pruitt, Esq., a New York attorney who has indicated that he will either 1) affiliate with Washington counsel as required by court rules; or 2) allow an officer or authorized employee of Southeastern to formally represent Southeastern, either alone or together with him. Mr. Pruitt can be reached at (212) 424-8574 or 125 West 55th Street, New York, NY 10019-5389.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter. Her address is Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105.

On November 30, 2004, the undersigned held a first prehearing teleconference in this matter. Southeastern was represented by John F. Pruitt, Esq. and the Commissioner was represented by James E. Tompkins, Assistant Deputy Commissioner for Company Supervision. The undersigned reviewed administrative procedure and addressed all questions and concerns of the parties. Of significance, the undersigned reviewed the above referenced requirements for

AMENDED NOTICE OF HEARING

Docket No. G04-85

Page 5

representation of Southeastern in Washington State. The undersigned indicated that, although there are several effective means of providing the evidence necessary for Southeastern to show the above required criteria to support issuance of an exemption as sought herein, the submission of written prefiled testimony together with telephonic testimony from authorized individuals is – aside from having those witnesses actually be present – generally most effective. All further questions or concerns of the parties, including requests for additional prehearing conferences which will again include all parties, should be directed to Wendy Galloway, Administrative Assistant to the undersigned, at (360) 735-7002 or to the above address.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be provided.

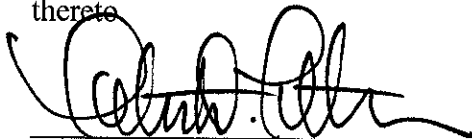
This Notice is provided pursuant to RCW 48.04 and RCW 34.05.434.

ORDER

Based upon the above activity,

IT IS HEREBY ORDERED that the adjudicative hearing in this matter shall commence on **Monday, December 13, 2004 at the hour of 10:00 a.m.**, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501.

ENTERED AT TUMWATER, WASHINGTON, this 3rd day of December, 2004, pursuant to Title 48 RCW and specifically RCW 48.31B, Title 34 RCW, and regulations applicable thereto



PATRICIA D. PETERSEN

Presiding Officer
Chief Hearing Officer